

## Message Text

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R 012000Z AUG 78  
FM AMEMBASSY BRASILIA  
TO SECSTATE WASHDC 8485  
INFO AMEMBASSY PARIS  
AMEMBASSY LONDON  
AMEMBASSY TOKYO  
AMEMBASSY BONN  
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E.O. 11652: N/A  
TAGS: EGEN, ETRD, BR, FR, UK, JA, GW  
SUBJECT: PRESIDENT GEISEL'S VISITS TO FRANCE, UK, AND JAPAN:  
EMBASSY'S MEDIUM-TERM ASSESSMENT OF RESULTS

REFS: A) 76 BRASILIA 4096, B) 76 BRASILIA 3723 C) 76 PARIS 12950  
D) 76 PARIS 12566 E) 76 BRASILIA 4501 F) 76 BRASILIA 3803  
G) 76 BRASILIA 8571 H) 76 BRASILIA 8280 I) 76 BRASILIA 7997  
J) RIO DE JANEIRO 1274 K) BRASILIA 5443 L) BRASILIA 3226  
M) BRASILIA 4893

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1. SUMMARY: PRESIDENT GEISEL'S VISIT TO THE FRG IN  
MARCH, 1978, WAS THE FOURTH--AND LAST--IN A SERIES OF  
OF STATE VISITS TO MAJOR INDUSTRIAL COUNTRIES SINCE  
HE TOOK OFFICE IN 1974. AS PART OF AN EFFORT TO  
EVALUATE THE SUCCESS OF THE GEISEL/SILVEIRA POLICY OF  
DIVERSIFYING BRAZIL'S RELATIONS, THIS MESSAGE ASSESSES

THE MEDIUM TERM ECONOMIC AND POLITICAL RESULTS OF  
GEISEL'S 1976 VISITS TO FRANCE, THE UK, AND JAPAN,  
AND COMMENTS BRIEFLY ON GEISEL'S 1978 VISIT TO THE  
FRG. END SUMMARY.

2. OVERALL ASSESSMENT OF VISITS. THE VISITS TO FRANCE,  
THE UK, AND JAPAN WERE UNDERTAKEN IN AN EFFORT TO  
DIVERSIFY BRAZIL'S RELATIONS BY STRENGTHENING ECONOMIC  
AND POLITICAL TIES WITH THESE COUNTRIES, AND TO  
INCREASE GEISEL'S PRESTIGE AS A STATESMAN WITHIN BRAZIL.  
COMPLEMENTARY TO THESE VISITS, GEISEL HAS ALSO  
SOUGHT TO STRENGTHEN RELATIONS WITH MAJOR LATIN AMERICAN  
COUNTRIES, THROUGH VENEZUELAN PRESIDENT PEREZ'S VISIT  
TO BRAZIL, THROUGH HIS OWN VISIT TO MEXICO, AND MOST  
RECENTLY THROUGH THE NEGOTIATION OF THE BRAZILIAN-  
INSPIRED AMAZON PACT (REF K).

3. THE EMBASSY BELIEVES THAT AT THIS TIME IT IS  
POSSIBLE TO ASSESS THE MEDIUM-TERM RESULTS OF THE  
1976 VISITS TO PARIS, LONDON, AND TOKYO. WE BELIEVE  
THAT THE RESULTS MAY BE SUMARIZED AS FOLLOWS:

A. THE VISITS IN GENERAL GAVE FAR GREATER IMPETUS  
TO STRENGTHENING ECONOMIC RELATIONS AS AGAINST POLITICAL  
ONES, ALTHOUGH THE GOB PLAYED UP THE POLITICAL SIDE OF  
THE VISITS FOR HOME CONSUMPTION. BRAZIL'S RELATIONS  
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WITH THESE COUNTRIES, IN THEIR ESSENTIALS, REMAIN ECONOMIC.

B. THE VISITS GAVE IMPETUS TO A NUMBER OF MAJOR  
INVESTMENT PROJECTS AND SALES/FINANCING OPERATIONS.  
THIS WAS PARTICULARLY IMPORTANT IN THE CASE OF JAPAN;  
GOJ COMMITMENT TO PROJECTS DURING THE GEISEL VISIT WAS  
CRUCIAL TO THEIR FINAL EXECUTION.

C. IN EACH CASE THE HIGH-LEVEL CONSULTATIVE  
MECHANISMS ESTABLISHED BY FONMIN SILVEIRA HAVE BEEN  
LARGELY INOPERATIVE IN PRACTICE. JAPAN APPEARS TO  
CONSIDER POLITICAL NON-INVOLVEMENT AN ESSENTIAL ELEMENT  
OF ITS RELATIONSHIP WITH BRAZIL. THE FRENCH DO NOT  
APPEAR TO HAVE ACHIEVED A NOTABLE IMPROVEMENT IN THEIR  
POLITICAL DIALOGUE WITH THE GOB. THE BRITISH REPORT  
THAT THE VISIT TO LONDON RESULTED IN A SOMEWHAT FREER  
DIALOGUE IN THE POLITICAL AREA, BUT THAT THEY COULD NOT  
HOPE TO ACHIEVE THE FRG'S APPARENT DEGREE OF INTIMACY  
WITH THE GOB. NONE OF THE COUNTRIES VISITED NOTES ANY  
SIGNIFICANT BRAZILIAN MOVEMENT ON MAJOR NORTH-SOUTH ISSUES.

D. THE VISITS SERVED TO BUILD GEISEL'S IMAGE IN

BRAZIL AS A WORLD STATESMAN, THUS HELPING TO STRENGTHEN  
HIS DOMESTIC POSITION, AND WERE PERCEIVED IN BRAZIL AS  
EXPRESSIONS OF THE GEISEL ADMINISTRATION'S SUCCESSFUL  
EFFORTS TO BALANCE BRAZIL'S RELATIONSHIP WITH THE US

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C O R R E C T E D C O P Y (PARA 8 ADDED)

PARIS FOR USEEC, ALSO FOR USOECD

AND OF BRAZIL'S GROWING WORLD ROLE.

4. IN SUMMARY, THIS EMBASSY'S JUDGMENT IS THAT THE VISITS  
HAVE PAID OFF WELL FOR BRAZIL, PARTICULARLY IN THE  
ECONOMIC AREA. THEY HAVE GIVEN IMPETUS TO BRAZIL'S  
STRATEGY OF DIVERSIFYING ITS RELATIONS AWAY FROM THE US,  
THROUGH CLOSER TIES WITH OTHER MAJOR INDUSTRIAL  
COUNTRIES. THEY HAVE PRODUCED, IF NOT CLOSER POLITICAL  
TIES, AT LEAST A SOMEWHAT FREER POLITICAL DIALOGUE

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WITH OTHER KEY INDUSTRIAL COUNTRIES. NONE OF THESE RELATIONSHIPS, HOWEVER, APPROACHES IN INTENSITY THAT WITH THE FRG--AT LEAST ON THE BRAZILIAN SIDE, AND ONLY VERY PARTICULARLY RECIPROCATED BY BONN. THESE CLOSER TIES WITH OTHER INDUSTRIAL COUNTRIES HAVE NOT MOVED BRAZIL CLOSER TO THE INDUSTRIAL COUNTRIES; CONTRARY TO SUGGESTIONS MADE BY GERMAN INTERLOCUTORS PRIOR TO GEISEL'S VISIT TO BONN, BRAZIL CONTINUES TO HOLD STUDIOUSLY TO THE POSITON OF A MODERATE THIRD WORLD COUNTRY, WHICH IS UNWILLING TO BREAK OPENLY WITH A THIRD WORLD CONSENSUS, NOT INFREQUENTLY IS UNWILLING TO CHALLENGE EVEN WITHIN G-77 COUNCILS MORE RADICAL POSITIONS, BUT PURSUES A MODERATE, PRAGMATIC COURSE GUIDED BY ITS OWN SELF-INTEREST.

5. GEISEL'S VISIT TO PARIS, APRIL 1976. THIS WAS GEISEL'S FIRST OVERSEAS VISIT TO AN ADVANCED INDUSTRIAL COUNTRY; IT WAS THE SHORTEST OF THE FOUR HE MADE, ALTHOUGH IT PRODUCED THE LARGEST "SHOPPING LIST"; IT FOCUSED THE LEAST ON ECONOMIC/COMMERCIAL RELATIONS; AND, IN RETROSPECT, IT APPEARS TO HAVE BEEN THE LEAST SUCCESSFUL (REFS A-D).

6. FROM BRAZILIAN POINT OF VIEW, THE MAJOR RESULT OF THE VISIT WAS A ONE-BILLION FRANC LOAN FOR THE TUCURUI HYDROELECTRIC PROJECT IN PARA. ALTHOUGH THIS PROJECT WAS DISCUSSED DURING THE VISIT, ONLY IN MARCH, 1978, WAS THE FINAL LOAN AGREEMENT SIGNED. THE FRENCH WILL ALSO PROVIDE A SIGNIFICANT AMOUNT OF GENERATING AND TRANSMISSION EQUIPMENT FOR THE PROJECT. FRENCH PARTICIPATION IN THE ITAPARICA HYDROELECTRIC PROJECT, ALSO DISCUSSED DURING THE VISIT, IS STILL POSSIBLE DEPENDING ON THE RESULTS OF THE BIDDING.

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7. OTHER AREAS DISCUSSED DURING THE VISIT AND RESULTS TO DATE ARE:

A. PETROLEUM/PETROCHEMICAL/FERTILIZER COOPERATION-- FRENCH PROVIDED A US\$240 MILLION LOAN TO GOB NATIONAL ECONOMIC DEVELOPMENT BANK FOR THE THIRD PETROCHEMICAL POLE AS RESULT OF VISIT; THIS MAY HAVE ENCOURAGED GOB TO CHOOSE FRENCH FIRM TECHNIP FOR OVERALL DESIGN OF PROJECT. FRENCH STATE PETROLEUM COMPANY ELF-AQUITAINE,

SIGNED RISK CONTRACT TO EXPLORE FOR PETROLEUM AT MOUTH OF AMAZON. A FRENCH FIRM WAS SELECTED BY GOB TO PROVIDE TECHNICAL ASSISTANCE FOR POTASH MINING PROJECT, BUT INDICATIONS ARE THAT FIRM WAS SELECTED SOLELY ON TECHNICAL MERITS.

B. FRENCH CONSTRUCTION OF SANTOS SUGAR LOADING FACILITIES -- INFORMATION AVAILABLE SUGGESTS THAT FRENCH PARTICIPATION WAS NOMINAL.

C. FRENCH SALES OF RAILWAY EQUIPMENT -- FRENCH HAVE SOLD EQUIPMENT TO SAO PAULO METRO.

D. BRAZILIAN ENTREPOUT AT LE HAVRE -- THIS WAS INAUGURATED IN LATE 1977.

E. FRENCH PURCHASES OF BRAZILIAN IRON ORE -- FRENCH MAY HAVE PURCHASED MORE IRON ORE FROM BRAZIL, BUT THEY CERTAINLY HAVE NOT REPLACED JAPAN AS LARGEST CUSTOMER. WORLD RECESSION IN IRON AND STEEL SECTOR MAY HAVE NULLIFIED FRENCH INTENTIONS. ALSO INTERESTING TO NOTE THAT EEC RESTRICTED BRAZILIAN CAST IRON IMPORTS IN 1977.

F. JOINT COOPERATION IN THIRD COUNTRIES -- WE KNOW OF NO PROJECTS IN THIS AREA.

G. COOPERATION IN SOLAR AND OTHER NON-CONVENTIONAL FORMS OF ENERGY -- THERE HAVE BEEN NO MAJOR ACCOMPLISHMENTS IN THIS SECTOR.

8. DESPITE EMPHASIS DURING VISIT ON FRANCE'S PERCEPTION OF BRAZIL AS KEY LATIN AMERICAN COUNTRY AND MAJOR NORTH-SOUTH INTER-LOCUTOR, FRANCE-BRAZIL "GREAT COMMISSION" HAS BEEN LARGELY DORMANT SINCE ITS INCEPTION PRIOR TO GEISEL'S VISIT. LIMITED OFFICIAL USE

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R 012000Z AUG 78  
FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC 8487  
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9. GEISEL'S VISIT TO LONDON, MAY 1976. THIS VISIT SEEMS TO HAVE HAD THE MOST IMPACT ON BILATERAL POLITICAL RELATIONS OF ANY OF THE FOUR VISITS. THE VISIT HAS SERVED TO RE-ESTABLISH THE UK AS A MAJOR ECONOMIC PARTNER, A POSITION HELD IN THE LATE 19TH AND EARLY 20TH CENTURIES BUT SUBSEQUENTLY LOST DUE TO THE DECLINE IN BRITISH INFLUENCE IN GENERAL AND TO SPECIFIC NATIONALIZATION PROBLEMS IN BRAZIL IN PARTICULAR. BRITISH EMBASSY REPORTS THAT PRIOR TO GEISEL'S VISIT BOTH THEY AND BRITISH BUSINESSMEN HAD TROUBLE EVEN GAINING ACCESS TO SENIOR LIMITED OFFICIAL USE

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GOB OFFICIALS, BUT THAT THIS HAS IMPROVED GREATLY (REFS E AND F).

10. SUCCESS HAS BEEN LESS NOTABLE IN SPECIFIC AREAS DISCUSSED DURING THE VISIT. THE ACOMINAS STEEL PROJECT SEEMS TO BE PROCEEDING FAIRLY WELL -- THE GOB RECENTLY APPROVED A 15 MILLION POUND INCREASE (FROM 150 MILLION POUNDS) IN THE MORGAN GRENFELL LOAN FOR THIS PROJECT, AND SUBSTANTIAL SALES OF BRITISH EQUIPMENT HAVE RESULTED. ON THE OTHER HAND, THE OTHER MAJOR PROJECT DISCUSSED DURING THE VISIT, THE "STEEL RAILWAY" (FERROVIA DO ACO), FOR WHICH THE BRITISH HAD LINED UP SUBSTANTIAL FINANCING IN HOPES OF SECURING EQUIPMENT SALES, HAS BEEN VIRTUALLY ABANDONED BY THE GOB.(GENERAL FIGUEIREDO, GOVERNMENT PARTY CANDIDATE FOR NEXT PRESIDENT OF BRAZIL, HAS SAID HE WILL GIVE PRIORITY TO THIS PROJECT; NEXT PRESIDENTIAL TERM STARTS IN MARCH 1979.) THE BRITISH ALSO LINED UP FINANCING FOR THE STAGE III STEEL EXPANSION PROJECT, BUT IN THE END BRITISH FIRMS ENDED UP GETTING ONLY A SMALL SHARE OF THE ORDERS.

(COMMENT: THE US EXIMBANK ALSO MADE A SPECIAL EFFORT TO PUT TOGETHER AN ATTRACTIVE FINANCIAL PACKAGE FOR THIS PROJECT, BUT US FIRMS SUFFERED THE SAME FATE AS THE BRITISH. MOST OF THE BUSINESS WENT TO THE JAPANESE. END COMMENT).

11. BRAZIL AND THE UK ALSO DISCUSSED GREATER COOPERATION IN THE PETROLEUM FIELD. THE BRITISH ARE DISAPPOINTED THAT NOT MUCH HAS ACTUALLY HAPPENED IN THIS AREA. BP WAS THE FIRST FOREIGN FIRM TO SIGN A RISK CONTRACT WITH PETROBRAS (AND THE FIRST TO STRIKE OIL, BUT SO FAR THE BRAZILIANS HAVE NOT PURCHASED A GREAT DEAL OF BRITISH PETROLEUM EQUIPMENT (MAJOR ITEM WAS A DRILLING LIMITED OFFICIAL USE

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PLATFORM; MUCH OF SPECIAL LINE OF CREDIT WITH BRITISH BANKS REMAINS UNUSED) NOR HAVE THEY SHOWN INTEREST IN BRITISH TECHNOLOGICAL OR MANAGEMENT ASSISTANCE. RECENTLY, HOWEVER, GOB MINISTER OF MINES AND ENERGY ADMITTED THAT PETROBRAS MIGHT BE INTERESTED IN HAVING BP PROVIDE IT TECHNICAL ASSISTANCE IN THE EXPLORATION AND PRODUCTION AREAS.

12. IN TERMS OF POLITICAL RELATIONS, BRITISH FEEL THAT BRAZIL HAS "NOT BEEN UNHELPFUL" IN REGARD TO IMPORTANT BRITISH INTERESTS SUCH AS BELIZE AND THE FALKLANDS, BUT BRITISH ALSO FEEL THAT BRAZIL DOES NOT GO OUT OF ITS WAY TO BE HELPFUL IN ANY ISSUES, EITHER. AGAIN, THE BILATERAL CONSULTATIVE MECHANISM HAS LARGELY REMAINED UNUSED.

13. GEISEL'S VISIT TO TOKYO, SEPTEMBER, 1976. THIS VISIT IS PARTICULARLY NOTABLE BECAUSE IT RESULTED IN A STRONG GOJ COMMITMENT TO CARRY THROUGH THE PROJECTS AGREED ON DURING THE VISIT DESPITE ADVERSE WORLD MARKET CONDITIONS AND FLAGGING JAPANESE PRIVATE SECTOR INTEREST (REFS G-J).

14. AS AN INDICATION OF THE ATTENTION THEY GIVE TO THESE PROJECTS -- TUBARAO STEEL PROJECT AND ASSOCIATED PRAIA MOLE PORT, CERRADOS AGRICULTURAL DEVELOPMENT, ALBRAS ALUMINUM PROJECT, AND CENIBRA PULP AND PAPER PROJECT -- THEY ARE KNOWN IN THE JAPANESE EMBASSY IN BRASILIA AS THE "GEISEL PROJECTS". IRONICALLY, WITH THE EXCEPTION OF THE CERRADOS PROJECT, ALL THE PROJECTS ARE IN INDUSTRIAL SECTORS WHICH HAVE SEEN DRASTIC MARKET DOWNTURNS SINCE 1976, AND IT IS HIGHLY LIKELY THAT WITHOUT THE ACTIVE COMMITMENT OF THE GOJ SEVERAL OR ALL OF THEM MIGHT HAVE BEEN ABANDONED. AS IT IS, THE TUBARAO PROJECT HAS RECENTLY MOVED

FORWARD FROM THE IMPASSE THAT HELD IT BACK FOR ABOUT  
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A YEAR, NAMELY, THE JAPANESE RELUCTANCE TO TAKE THEIR

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FM AMEMBASSY BRASILIA

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ORIGINALLY-AGREED-TO SHARE OF THE PLANT'S PRODUCTION  
(EVEN THOUGH THEY WERE ALSO ASKED TO INCREASE THEIR  
SHARE OF THE FINANCING) IN VIEW OF THE DEPRESSED STATUS  
OF THE JAPANESE STEEL INDUSTRY. THE CERRADOS PROJECT  
IS IN THE FINAL STAGES OF NEGOTIATION AND SHOULD BEGIN  
OPERATIONS IN 1979. THE ALBRAS PROJECT, STALLED FOR SOME



TIME DUE TO THE JAPENSE PARTNER'S LACK OF ENTHUSIASM  
IN VIEW OF THE DEPRESSED ALUMINUM MARKET, WILL MOVE  
FORWARD NOW AS THE RESULT OF DIECT GOJ (MITI) INTEREST.  
THE CENIBRA PLANT HAS ALREADY BEEN INAUGURATED, ALTHOUGH  
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THE JAPANESE ARE UPSET OVERHAVING TO ACCEPT  
PRODUCTION PEGGED AT PRICES FAR ABOVE CURRENT WORLD LEVELS.

15. THE JAPANESE AND BRAZILIANS HAVE NO MAJOR BILATERAL  
POLITICAL PROBLEMS AS THEY HAVE TRADITIONALLY HAD  
LITTLE INTERACTION. THERE IS A MINISTERIAL-LEVEL CONSULTA-  
TIVE GROUP, BUT IT HAS MET ONLY ONCE, IN 1976.

16. GEISEL'S VISIT TO BONN, MARCH 1978. WHILE THE  
THREE 1976 VISITS WERE UNDERTAKEN LARGELY LOOKING FORWARD  
TO GEATER ECONOMIC AND POLITICAL RELATIONSHIPS BETWEEN  
BRAZIL AND THE COUNTRIES VISIED, GEISEL'S VISIT TO BONN  
WAS INTENDED TO CLIMAX THE "SPECIAL RELATIONSHIP"  
(BASED, OF COURSE, MOSTLY ON THE NUCLEAR AGREEMENT) THAT  
BRAZIL HAD TRIED TO DEVELOP WITH THE FRG. SEEN IN THIS  
LIGHT, THE VISIT MUST HAVE BEEN A DISAPPOINTMENT TO  
BRAZIL.

17. BRAZILIAN OFFICIAL AND PRESS COMMENTARY PRIOR TO  
THE VISIT WAS QUITE OPTIMISTIC, WITH THE GOB FULLY  
EXPECTING THE VISIT TO "CONSECRATE THE VERY SPECIAL AND  
COMPLETE RELATIONSHIP" BETWEEN BRAZIL AND THE FRG AND  
TO REAFFIRM SOLIDLY THEIR 1975 NUCLEAR AGREEMENT. THE  
JOINT COMMUNIQUE RELEASED AT THE END OF THE VISIT,  
HOWEVER, WAS RELATIVELY BLAND. IT MADE NO REFERENCE  
TO ANY "SPECIAL RELATIONSHIP", CONTAINED NO LIST OF MAJOR  
NEW JOINT PROJECTS, AND CONTAINED ONLY ONE CAREFULLY  
WORDED REFERENCE TO THE NUCLEAR AGREEMENT. THE CONTENT  
AND TONE OF THE JOINT COMMUNIQUE INDICATED THAT THE FRG  
IS RESISTING BRAZIL'S ATTEMPTS TO DRAW IT INTO A  
"SPECIAL RELATIONSHIP," AND IN THE EMBASSY'S VIEW THIS  
IS BECAUSE THE FRG IS UNWILLING TO ENTER A "SPECIAL  
RELATIONSHIP" WITH A COUNTRY THAT SELDOM SEPARATES  
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ITSELF FROM THE THIRD WORLD,EVEN TO ASSUME AN  
INTERMEDIATE POSITION BETWEEN THE THIRD WORLD AND THE  
IMPORTANCE THE FRG PLACED ON GOOD US-BRAZIL RELATIONS  
(REF L). A MEMORANDUM OF UNDERSTANDING BETWEEN BRAZIL  
AND THE FRG WAS NEGOTIATED AS PART OF GEISEL'S TRIP BUT

WAS NOT PUBLICLY RELEASED UNTIL LATE JUNE. THE SIGNING OF THE MOU WAS SEEN IN BRAZIL--AS WAS THE SIGNING OF THE US-BRAZIL MOU IN 1976--AS FURTHER RECOGNITION OF BRAZIL'S STATUS AS AN EMERGING POWER (REF M).

18. ALL THE VISITS ARE VIEWED BY THE BRAZILIANS AS INDICATIONS OF BRAZIL'S ACCEPTANCE INTERNATIONALLY. IN ADDITION, THEY HELPED GEISEL ESTABLISH PRESTIGE WITHIN BRAZIL AS A WORLD STATESMAN. (SEE REF A, B, D, AND H).  
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